

June 18, 1943

Mr. George G. Williams  
Superintendent of Banks  
State House  
Phoenix, Arizona

**LAW LIBRARY**  
**ARIZONA ATTORNEY GENERAL**

Dear Sir:

We have your letter of June 10 enclosing a copy of a letter from the Seaboard Finance Company, requesting an opinion as to whether or not loans in excess of \$300.00 can be made at the rate of 1% per month on a reducing balance.

It is our opinion that such a loan would be usurious. Inasmuch as there is nothing in the law to justify such rate, the only possible provision of the law that such an arrangement could come under would be the section permitting loans to be made at a 8% discount rate. It is our belief that the particular wording of Section 51-901, A.C.A. 1939, would prohibit impliedly the charging of 1% per month on a reducing balance, even though that rate might result in a borrower paying less in the aggregate than he would were it made at the 8% discount rate.

The section in question allows loans in an amount not exceeding \$1,000.00 to be made if the total payment to be made by the borrower for interest or discount in connection with the transaction, is not in excess of \$8.00 per \$100.00 per year to be added to the principal amount of the loan, calculated from the date of the indebtedness payable in installments.

The proposed method of making a 1% per month loan would result in a rate being charged greater than \$8.00 per \$100.00 per year, and the remaining portion of the provision would not be complied with in that the amount of discount would not be added to the principal amount of the loan calculated from the date of the indebtedness.

It is our belief that when the legislature set up a certain method for making loans in excess of the legal rate that that method must be followed regardless of the fact that a different method in excess of the legal maximum rate on straight loans would result in a lesser amount of interest being paid over a period of time than would be paid under the method set up by the legislature.

very truly yours,

JOE CONWAY, Attorney General

EDWARD P. CLINE, Assistant  
Attorney General

EARL ANDERSON  
Chief Assistant  
Attorney General